



BANK INDONESIA REGULATION

NUMBER: 9/12/PBI/2007

CONCERNING

**AMENDMENT TO BANK INDONESIA REGULATION NUMBER 8/17/PBI/2006
REGARDING INCENTIVES IN THE CONTEXT OF BANK CONSOLIDATION**

BY THE GRACE OF THE ALMIGHTY GOD

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas in the context of accelerating bank consolidation, it is necessary to have additional incentives for Banks in order to encourage Banks to conduct Merger or Consolidation;
 - b. whereas based on the consideration as intended in point a, it is necessary to revise provisions regarding incentives in the context of bank consolidation in a Bank Indonesia Regulation;
- In view of :
1. Law Number 7 Year 1992 regarding Banking (State Gazette of the Republic of Indonesia Year 1992 Number 31, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as amended by Law Number 10 Year 1998 (State Gazette of the Republic of Indonesia Year 1998 Number 182, Supplement to the State Gazette of the Republic of Indonesia Number 3790);

2. Law Number 23 Year 1999 regarding Bank Indonesia (State Gazette of the Republic of Indonesia Year 1999 Number 66, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Law Number 3 Year 2004 (State Gazette of the Republic of Indonesia Year 2004 Number 7, Supplement to the State Gazette of the Republic of Indonesia Number 4357);
3. Bank Indonesia Regulation Number 7/15/PBI/2005 dated July 1, 2005 regarding the Amount of Minimum Core Capital for Commercial Banks (State Gazette of the Republic of Indonesia Year 2005 Number 53, Supplement to the State Gazette of the Republic of Indonesia Number 4507);
4. Bank Indonesia Regulation Number 8/14/PBI/2006 dated October 5, 2006 regarding Amendment to Bank Indonesia Regulation Number 8/4/PBI/2006 regarding the Implementation of Good Corporate Governance for Commercial Banks (State Gazette of the Republic of Indonesia Year 2006 Number 71, Supplement to the State Gazette of the Republic of Indonesia Number 4640);
5. Bank Indonesia Regulation Number 8/17/PBI/2006 dated October 5, 2006 regarding Incentive in the context of Bank consolidation (State Gazette of the Republic of Indonesia Year 2006 Number 74,

Supplement to the State Gazette of the Republic of
Indonesia Number 4643);

HAS DECIDED:

To stipulate : BANK INDONESIA REGULATION REGARDING
AMENDMENT TO BANK INDONESIA REGULATION
NUMBER 8/17/PBI/2006 REGARDING INCENTIVES IN
THE CONTEXT OF BANK CONSOLIDATION.

Article I

Several provisions in Bank Indonesia Regulation Number 8/17/PBI/2006 dated October 5, 2006 regarding Incentives in the context of Bank consolidation (State Gazette of the Republic of Indonesia Year 2006 Number 74, Supplement to the State Gazette of the Republic of Indonesia Number 4643) shall be amended as follows:

1. Provisions of Article 2 shall be amended to read as follows:

Article 2

- (1) Bank Indonesia shall give incentives to Banks conducting Merger or Consolidation.
- (2) The types of incentive as intended in paragraph (1) shall be as follows:
 - a. Easier process in the granting of permits to become foreign exchange banks;

- b. Temporary dispensation from the obligation to meet the Rupiah Minimum Reserve requirement;
- c. extended period for settling the excess of Legal Lending Limit (BMPK) arising due to Merger or Consolidation;
- d. Easier process in the granting of permits for opening branch offices;
- e. Partial reimbursement of consultant fees for the performance of due diligence; and or
- f. Temporary dispensation from the implementation of several provisions in Bank Indonesia Regulation regarding Good Corporate Governance for Commercial Banks.

2. Provisions of Article 3 shall be amended to read as follows:

Article 3

- (1) Easier process in the granting of permits to become foreign exchange bank as intended in Article 2 paragraph (2) point a shall be applicable for a period of 2 (two) years as from the applicability of Merger or Consolidation approval, on the following conditions:
 - a. The Bank resulting from the Merger or Consolidation shall have minimum core capital of Rp.100,000,000,000.00 (one hundred billion rupiah); and
 - b. The Bank resulting from the Merger or Consolidation shall have a minimum composite rating of 2 (two) with a minimum

managerial factor rating of 3 (three) in the last 2 (two) assessment positions.

- (2) If the Bank resulting from the Merger or Consolidation is unable to meet the requirements for becoming a foreign exchange bank as intended in paragraph (1) within 2 (two) years as from the applicability of the Merger or Consolidation approval, then in order to become a Foreign Exchange Bank, the Bank must meet the requirements pursuant to the applicable Bank Indonesia regulations regarding the requirements for non foreign exchange Commercial Banks to become foreign exchange commercial banks.
 - (3) Other requirements for becoming foreign exchange bank shall refer to the applicable Bank Indonesia regulations regarding requirements for non foreign exchange commercial banks to become foreign exchange commercial banks.
 - (4) The Merger or Consolidation approval as intended in paragraphs (1) and (2) shall be applicable as from the following:
 - a. The date of approval of amendment to the Articles of Association or establishment deed including Articles of Association from the competent authority; or
 - b. The date of registration of Deed of Merger and amendment to Articles of Association in the Companies' Registry if the amendment to Articles of Association does not need approval from the competent authority.
3. 1 (One) article shall be inserted between Articles 7 and 8, namely Article 7A which shall read as follows:

Article 7A

- (1) The temporary dispensation from the implementation of several provisions of Bank Indonesia Regulation regarding Good Corporate Governance for Commercial Banks as intended in Article 2 paragraph (2) sub-paragraph f shall be in the form of the following:
 - a. Postponement for meeting the required composition of 50% (fifty percent) of members of Independent Commissioners, on a condition of having at least 1 (one) Independent Commissioner.
 - b. Dispensation from the provision on dual position for Independent Commissioner as the chairman in 3 (three) Committees.
 - c. Postponement for meeting the requirement of Independent Party in the memberships of audit committee and risk monitoring committee.
- (2) Temporary dispensation from the provisions as intended in paragraph (1) shall be granted for a maximum period of 6 (six) months as from the following:
 - a. The date of approval of amendment to Articles of Association or Deed of Establishment including Articles of Association from the competent authority; or
 - b. The date of registration of Deed of Merger and amendment to Articles of Association in the Companies' Registry if the

amendment to Articles of Association does not need approval from the competent authority.

4. Article 8 shall be amended to read as follows:

Article 8

- (1) Banks planning to conduct Merger or Consolidation must submit request for utilizing incentive being proposed by one of Banks participating in the Merger or Consolidation and signed by the President Director of all Banks participating in the Merger or Consolidation.
- (2) The plan for using incentive by Banks must be submitted to Bank Indonesia prior to the Merger or Consolidation on the following addresses:
 - a. The Directorate of Bank Supervision concerned for Banks having head offices inside the jurisdiction of head office of Bank Indonesia; or
 - b. Local Offices of Bank Indonesia for Banks having head offices outside of the jurisdiction of head office of Bank Indonesia.

5. Article 9 shall be deleted.

Article II

Transitional Provisions

Banks having submitted plans for the utilization of incentives prior to the coming into effect of this Bank Indonesia Regulation may submit additional plans for the utilization of incentives as provided herein.

Article III

This Bank Indonesia Regulation shall come into effect as from the date of its stipulation.

Stipulated in Jakarta

On September 21, 2007

THE GOVERNOR OF BANK INDONESIA,

[Signed]

**Promulgated in Jakarta
on September 21, 2007**

**THE MINISTER OF LAW AND HUMAN
RIGHTS OF THE REPUBLIC OF
INDONESIA**

BURHANUDDIN ABDULLAH

[Signed]

ANDI MATTALATTA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2007 NUMBER
120 DPNP

ELUCIDATION
ON
BANK INDONESIA REGULATION
NUMBER 9/12/PBI/2007
REGARDING
AMENDMENT TO BANK INDONESIA REGULATION
NUMBER 8/17/PBI/2006 REGARDING INCENTIVES
IN THE CONTEXT OF BANK CONSOLIDATION

GENERAL

In the context of accelerating bank consolidation as one of the efforts to strengthen the structure and capital of banks, Bank Indonesia has granted incentives to banks for conducting Merger or Consolidation. As an effort to further motivate banks for conducting Merger or Consolidation, specifically in the context of fulfilling the minimum core capital requirement, it is deemed necessary by Bank Indonesia to grant additional incentives for banks conducting Merger or Consolidation.

ARTICLE BY ARTICLE

Article I

Point 1

Article 2

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Point 2

Article 3

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Pursuant to the applicable Bank Indonesia regulations regarding the requirements for non-foreign exchange commercial banks for becoming foreign exchange commercial banks, banks must meet the requirements for soundness rate, paid-up capital, capital adequacy ratio/CAR and readiness for conducting business activities in foreign currencies for becoming a foreign exchange commercial bank.

Bank Indonesia Regulation Number 8/17/PBI/2006 as amended by this Bank Indonesia Regulation excludes the requirements for paid-up capital and soundness rate, whereas other requirements for obtaining permit as foreign exchange commercial banks must be met.

Other relevant requirements shall be CAR and readiness for conducting business activities in foreign currencies pursuant to the applicable

Bank Indonesia regulations regarding the requirements for non-foreign exchange commercial banks to become foreign exchange commercial banks.

Paragraph (4)

Self-explanatory.

Point 3

Article 7A

Paragraph (1)

Sub-paragraph a

Self-explanatory.

Sub-paragraph b

The granting of dispensation from the provision on dual position may only be granted to banks resulting from Merger or Consolidation having only 1 (one) Independent Commissioner. Dual position that can concurrently served by an Independent Commissioner shall be as Chairman of the Audit Committee, Risk Monitoring Committee as well as Remuneration and Nomination Committee.

Sub-paragraph c

Independent Party serving as a member of a Committee who due to a Merger or

Consolidation will not fulfill the criteria for an independent party, shall be given a dispensation for postponing the fulfillment of the relevant criteria.

Paragraph (2)

Self-explanatory.

Point 4

Article 8

Paragraph (1)

Self-explanatory.

Paragraph (2)

Plans for the utilization of incentives that have been proposed to Bank Indonesia prior to conducting Merger or Consolidation shall be submitted by considering the reasonable time.

Point 5

Self-explanatory.

Article II

Self-explanatory.

Articles III

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 4766 DPNP